I hereby give notice that an extraordinary meeting of the Finance and Performance Committee will be held on:

**Date:** Wednesday, 12 December 2018  
**Time:** 2.00pm  
**Meeting Room:** Reception Lounge  
**Venue:** Auckland Town Hall  
301-305 Queen Street  
Auckland

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**Finance and Performance Committee**  
**OPEN AGENDA**

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**MEMBERSHIP**

- **Chairperson**: Cr Ross Clow  
- **Deputy Chairperson**: Cr Desley Simpson, JP  
- **Members**:  
  - Cr Josephine Bartley  
  - Cr Dr Cathy Casey  
  - Deputy Mayor Cr Bill Cashmore  
  - Cr Fa’anana Efeso Collins  
  - Cr Linda Cooper, JP  
  - Cr Chris Darby  
  - Cr Alf Filipaina  
  - Cr Hon Christine Fletcher, QSO  
  - Mayor Hon Phil Goff, CNZM, JP  
  - Cr Richard Hills  
  - IMSB Chair David Taipari  
  - Cr Penny Hulse  
  - Cr Mike Lee  
  - Cr Daniel Newman, JP  
  - Cr Greg Sayers  
  - Cr Sharon Stewart, QSM  
  - Cr Sir John Walker, KNZM, CBE  
  - Cr Wayne Walker  
  - Cr John Watson  
  - Cr Linda Cooper, JP  
  - Cr Desley Simpson, JP  
  - Cr Penny Hulse  
  - Cr Mike Lee  
  - Cr Daniel Newman, JP  
  - Cr Greg Sayers  
  - Cr Sharon Stewart, QSM  
  - Cr Sir John Walker, KNZM, CBE  
  - Cr Wayne Walker  
  - Cr John Watson  
  - Cr Richard Hills  
  - IMSB Chair David Taipari

(Quorum 11 members)

- Sandra Gordon  
  Senior Governance Advisor  
  7 December 2018

Contact Telephone: (09) 890 8150  
Email: sandra.gordon@aucklandcouncil.govt.nz  
Website: www.aucklandcouncil.govt.nz

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**Note:** The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. Should Members require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.
Terms of Reference

Responsibilities

The purpose of the Committee is to:

(a) control and review expenditure across the Auckland Council Group to improve value for money
(b) monitor the overall financial management and performance of the council parent organisation and Auckland Council Group
(c) make financial decisions required outside of the annual budgeting processes

Key responsibilities include:

- Advising and supporting the mayor on the development of the Long Term Plan (LTP) and Annual Plan (AP) for consideration by the Governing Body including:
  - Local Board agreements
  - Financial policy related to the LTP and AP
  - Setting of rates
  - Preparation of the consultation documentation and supporting information, and the consultation process, for the LTP and AP
- Monitoring the operational and capital expenditure of the council parent organisation and Auckland Council Group, and inquiring into any material discrepancies from planned expenditure
- Monitoring the financial and non-financial performance targets, key performance indicators, and other measures of the council parent organisation and each Council Controlled Organisation (CCO) to inform the Committee’s judgement about the performance of each organisation
- Advising the mayor on the content of the annual Letters of Expectations (LoE) to CCOs
- Exercising relevant powers under Schedule 8 of the Local Government Act 2002, which relate to the Statements of Intent of CCOs
- Exercising Auckland Council’s powers as a shareholder or given under a trust deed, including but not limited to modification of constitutions and/or trust deeds, granting shareholder approval of major transactions where required, exempting CCOs, and approving policies relating to CCO and CO governance
- Approving the financial policy of the Council parent organisation
- Overseeing and making decisions relating to an ongoing programme of service delivery reviews, as required under section 17A of the Local Government Act 2002
- Establishing and managing a structured approach to the approval of non-budgeted expenditure (including grants, loans or guarantees) that reinforces value for money and an expectation of tight expenditure control
- Write-offs
- Acquisition and disposal of property, in accordance with the long term plan
- Recommending the Annual Report to the Governing Body
- Te Toa Takatini
Powers

(a) All powers necessary to perform the committee’s responsibilities, including:
   a. approval of a submission to an external body
   b. establishment of working parties or steering groups.
(b) The committee has the powers to perform the responsibilities of another committee,
    where it is necessary to make a decision prior to the next meeting of that other
    committee.
(c) The committee does not have:
   a. the power to establish subcommittees
   b. powers that the Governing Body cannot delegate or has retained to itself
      (section 2).
Exclusion of the public – who needs to leave the meeting

Members of the public

All members of the public must leave the meeting when the public are excluded unless a resolution is passed permitting a person to remain because their knowledge will assist the meeting.

Those who are not members of the public

General principles

- Access to confidential information is managed on a “need to know” basis where access to the information is required in order for a person to perform their role.
- Those who are not members of the meeting (see list below) must leave unless it is necessary for them to remain and hear the debate in order to perform their role.
- Those who need to be present for one confidential item can remain only for that item and must leave the room for any other confidential items.
- In any case of doubt, the ruling of the chairperson is final.

Members of the meeting

- The members of the meeting remain (all Governing Body members if the meeting is a Governing Body meeting; all members of the committee if the meeting is a committee meeting).
- However, standing orders require that a councillor who has a pecuniary conflict of interest leave the room.
- All councillors have the right to attend any meeting of a committee and councillors who are not members of a committee may remain, subject to any limitations in standing orders.

Independent Māori Statutory Board

- Members of the Independent Māori Statutory Board who are appointed members of the committee remain.
- Independent Māori Statutory Board members and staff remain if this is necessary in order for them to perform their role.

Staff

- All staff supporting the meeting (administrative, senior management) remain.
- Other staff who need to because of their role may remain.

Local Board members

- Local Board members who need to hear the matter being discussed in order to perform their role may remain. This will usually be if the matter affects, or is relevant to, a particular Local Board area.

Council Controlled Organisations

- Representatives of a Council Controlled Organisation can remain only if required to for discussion of a matter relevant to the Council Controlled Organisation.
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<td>Consideration of Extraordinary Items</td>
<td></td>
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</tbody>
</table>
1 **Apologies**
At the close of the agenda no apologies had been received.

2 **Declaration of Interest**
Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

3 **Petitions**
There will be no petitions section.

4 **Public Input**
There will be no public input section.

5 **Local Board Input**
There will be no local board input section.

6 **Extraordinary Business**
Section 46A(7) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“An item that is not on the agenda for a meeting may be dealt with at that meeting if-

(a) The local authority by resolution so decides; and

(b) The presiding member explains at the meeting, at a time when it is open to the public,-

   (i) The reason why the item is not on the agenda; and

   (ii) The reason why the discussion of the item cannot be delayed until a subsequent meeting.”

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“Where an item is not on the agenda for a meeting,-

(a) That item may be discussed at that meeting if-

   (i) That item is a minor matter relating to the general business of the local authority; and

   (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but

(b) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion.”
Te take mō te pūrongo / Purpose of the report

Whakarāpopototanga matua / Executive summary
2. The Mayoral Proposal for the Annual Budget 2019/2020 was presented to the Finance and Performance Committee at a workshop on 29 November 2018.
3. This report is for the committee to formally receive the Mayoral Proposal and note the key matters included in it. The recommendations regarding consultation are included in the following item.

Ngā tūtohunga / Recommendation/s
That the Finance and Performance Committee:
 a) receive the Mayoral Proposal for the Annual Budget 2019/2020
 b) note the key matters included in the proposal as follows:
   i) average general rates rise limited to 2.5%
   ii) $5 million proposed council contribution to the City Mission’s Home Ground project
   iii) record capital investment of over $2.5 billion, including the largest ever transport investment of $1.2 billion
   iv) all council staff paid a living wage from 1 September 2019
   v) progressing the water quality improvement programme to clean up our beaches and streams
   vi) protecting our kauri and managing pests through actions funded by the Natural Environment Targeted Rate
   vii) $200,000 proposed continued funding to deal with illegal dumping
   viii) an additional annual operating savings target of $23 million bringing the savings achieved this term to 4%, with estimated cumulative savings of around $560 million over a decade.

Ngā tāpirihanga / Attachments

<table>
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<tr>
<td>A0</td>
<td>Mayoral Proposal for the Annual Budget 2019/2020</td>
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Ngā kaihaina / Signatories
Author  | Phil Goff, Mayor of Auckland
Mayoral Proposal for the Annual Budget 2019/2020

29 November 2018

Earlier this year, Auckland Council set the ‘Build-it Budget’ which delivers the largest ever investment into Auckland’s infrastructure over the next 10 years. We laid the foundations with a record $26 billion investment in areas that matter the most to our community - transport, housing and the environment. We made bold decisions around how to fund the infrastructure this region badly needs and introduced the regional fuel tax to fund better transport options for people. We introduced targeted rates for programmes that will improve our water quality and preserve our beautiful natural environment.

With record levels of funding secured, this annual budget allows us to crack on with the work needed to make Auckland a world class city.

We need to use the revenue we have raised through the water quality and natural environment targeted rates and the regional fuel tax to deliver projects that make a positive and critical change to our region. It is more important than ever before that the council group works effectively and collaboratively together to deliver the substantial programme of works.

While we must deliver on our built environment we are also taking care of Aucklanders. We should be proud of the fact that on 1 September 2019 the Auckland Council group will complete the implementation of its living wage policy. Council has a responsibility towards its lower paid employees to ensure they have a fair wage that can support them and their families to meet the costs of living in Auckland.

Summary of the Annual Budget 2019/2020

- Average general rates rise limited to 2.5%
- $5 million proposed council contribution to the City Mission’s Home Ground project
- Record capital investment of over $2.5 billion, including the largest ever transport investment of $1.2 billion
- All council staff paid a living wage from 1 September 2019
- Progressing the water quality improvement programme to clean up our beaches and streams
- Protecting our kauri and managing pests through actions funded by the Natural Environment Targeted Rate
- $200,000 proposed continued funding to deal with illegal dumping
- An additional annual operating savings target of $23 million bringing the savings achieved this term to 4%, with estimated cumulative savings of around $560 million over a decade.
Record capital investment of over $2.5 billion is budgeted for 2019/2020:

Our financial context

There has been success in diversifying council’s revenue sources to reduce our reliance on rates. Non-rates revenue sources have increased by $286 million, or 15%, from 2017/2018 to 2019/2020. However, Auckland Council continues to operate in a constrained financial environment. Our capital commitments to the council’s largest ever infrastructure projects (City Rail Link and central interceptor) will put pressure on our debt limits in the coming years. It is therefore critical at this time that council does not commit to further projects, unless there are identified sources of funding for them.
Building better transport options

We are aiming to provide better transport options for Aucklanders by ramping up the delivery of our substantial capital programme. Capital investment in the region’s transport infrastructure will be a record $1.2 billion. It will help deliver for Auckland a modern, efficient and safer transport system capable of dealing with our rapid population growth, that shifts people into alternative modes of transport to deal with increasing road congestion and makes our roads safer for all users and pedestrians.

The council will receive funding of around $150 million from the regional fuel tax in 2019/2020 which is critical to addressing our transport infrastructure needs. It enables key projects and safety initiatives to be delivered more quickly, and to implement projects that would otherwise not have been possible.

<table>
<thead>
<tr>
<th>Key transport projects being advanced/delivered in the 2019/2020 year:</th>
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<tbody>
<tr>
<td>Regionally significant</td>
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<tr>
<td>• Road safety improvements including intersection upgrades,</td>
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<tr>
<td>speed limit reductions, traffic calming, traffic light</td>
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<td>phasing, signage and road markings</td>
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<tr>
<td>• City Rail Link</td>
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<tr>
<td>• Eastern Busway: Pakuranga bus station and Reeves Road</td>
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<tr>
<td>flyover, Panmure to Pakuranga section</td>
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<td>• Airport access improvements including the new bus/rail</td>
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<td>interchange and enhanced station at Puhinui</td>
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<td>• Downtown ferry terminal redevelopment</td>
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<td>• Downtown transport hubs</td>
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<td>• New electric trains</td>
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<td>• Urban cycleways programme: including Glen Innes to Tamaki,</td>
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<td>Watemata safe routes, Karangahape Road cycleway, Hume</td>
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<td>Bay to Westhaven</td>
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<tr>
<td>• Quay Street sea wall strengthening</td>
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<td>Local projects</td>
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<tr>
<td>• Mount Wellington highway road corridor improvements including transit lanes and cycleways</td>
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<tr>
<td>• Sylvia Park bus improvements</td>
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<tr>
<td>• New North Road double-decker bus route works</td>
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<td>• Lake Road upgrade design</td>
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<tr>
<td>• Lincoln Road upgrade detailed design work</td>
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<td>• Rosedale bus station</td>
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<td>• Hingaia special housing areas supporting projects</td>
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<td>• Dairy Flat highway improvements</td>
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<tr>
<td>• Ōrākei shared path construction linking to the Glen Innes to Tamaki Drive shared path</td>
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<tr>
<td>• Matakana Link Road stage 1</td>
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<tr>
<td>• Wynyard Quarter Road network upgrade</td>
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<tr>
<td>• Mālatia park and ride design</td>
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<tr>
<td>• Papakura park and ride</td>
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<tr>
<td>• Medallion Drive link in Albany</td>
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</table>
Investing in our communities

We are making progress on addressing Auckland’s housing supply and affordability.

Homelessness continues to be a priority issue and funding of $0.5 million per annum for the Housing First project will continue. Housing First has been successful in housing 700 homeless people in its first 18 months of operation. Auckland City Mission is progressing with their Home Ground project which will create a purpose-built housing and social services facility with housing for those with complex needs, a crisis care facility and detox services among others. Auckland City Mission has been successful to date in raising over $72 million from central government and private sector sponsors and my proposed contribution of $5 million will significantly assist towards the target of $80 million to complete the project.

The City Mission does incredible work with the homeless on behalf of all of us and my challenge to the private sector and wider community is to join with us to bridge the remaining gap so that this important project can be completed.

Building consents for nearly 13,000 residential units have been approved in the calendar year to date. This is a 27% increase on the same period in 2017 and trend indicators are for continued growth in consent numbers. New consenting is happening largely within Auckland’s urban boundaries, a sign of the success of the Unitary Plan in creating a more compact city.

The record consent numbers, along with new funding mechanisms to deliver infrastructure and collaboration with government on the Auckland Housing Programme and Kiwibuild are examples of progressing the recommendations made by Mayoral Housing Taskforce I convened at the beginning of the mayoral term. We are continuing to pursue changes from central government to amend the Building Act and Building Code to facilitate innovation and respond to the move towards more multi-unit construction. We are also seeking to more fairly share liability for faulty construction with designers and builders rather than council facing all of the costs as the last person standing.

Auckland Council’s cooperation with central government continues to strengthen. Earlier in the month, we announced a partnership with Crown Infrastructure Partners in Wainui to accelerate the building of bulk infrastructure that will enable the construction of 8,000 houses. This investment will take place over the coming few years.

The 10-year Budget created a clear funding arrangement for Panuku’s urban regeneration work in the identified “Transform” and “Unlock” areas. In the 2019/2020 year there will be significant progress in Manukau, Takapuna, Henderson, Onehunga, Panmure and Avondale as various developments commence. Council will continue to work with communities, outside Panuku programmes, to revitalise and enhance suburban town centres. Council, along with Local Boards, plays a vital role in investing in placemaking and building stronger communities.
A cleaner environment

In the 2019 planting season we will plant the millionth tree during the Matariki planting week to achieve the target of my Million Trees programme. This helps green and beautify our city, helps build a carbon sink to absorb emissions and stabilises land to prevent siltation of our rivers and harbours.

Aucklanders pride ourselves on the love we have for our natural environment. Illegal dumping has been a growing blight on our communities. To tackle this, we renewed our efforts to tackle illegal roadside dumping. In February, we announced funding of $200,000 to address illegal dumping through measures such as installation of security cameras and notices. We have succeeded in lifting the rate of infringement fines for dumping and secured a number of important prosecutions.

We will continue to work with government and local communities to build on the progress we have made so far. To this end, I propose that additional funding of $200,000 be continued in the Annual Budget 2019/2020. This will enable us to continue to hold people to account where their irresponsible behaviour leaves costs on the ratepayers.

In the coming year, we need to refocus our efforts on waste minimisation in the areas of construction and demolition. Industrial and commercial waste constitutes around 80% of what goes to landfill. Council needs to work with the private sector and with central government to minimise waste and maximise recycling. This will be a key focus in the 2019/2020 year.

Water Quality

The water quality targeted rate will raise around $42 million in the 2019/2020 year to continue the work into a major improvement in the quality of Auckland’s beaches and streams over the next decade. We aim, for example, to reduce wastewater overflows into our streams and beaches by up to 90% in the next decade, twenty years ahead of our original target. Next year’s outcomes will be delivered through five key work programmes, all of which will be progressed in the 2019/2020 year:

- Western isthmus water quality improvement programme (St Mary’s Bay and Daldy Street)
- Contaminant reduction programme (including Glen Innes)
- Urban and rural stream rehabilitation programme (including Hōtea sediment reduction programme and water quality partnership works in Clevedon/Wairoa, Kaipara/Kumeu and Papakura)
- Septic tank and onsite wastewater education and compliance programme (including Waitākere, Waiheke, Franklin, Rodney and other coastal communities)
- Safe networks programme (including Takapuna Beach and Red Beach)

The targeted rate work programmes will over time greatly improve water quality in our harbours and reduce Safeswim warnings at our recreational beaches across urban Auckland. Long-term public health warnings at four sites in the Manukau Harbour, some of which have been in place for nearly twenty years, have recently been lifted.
The successful Safeswim programme is set to expand from 92 monitored swimming sites to over 140 sites by the end of the 2018/2019 summer season and to over 200 by November 2019. Auckland is the first city in New Zealand to provide real time information about the quality of water where it's safe to swim and a mechanism to monitor improvement as we invest to reduce contamination.

Natural environment

The natural environment targeted rate will raise around $30 million in the 2019/2020 year to continue work to tackle kauri dieback and on other ecological restoration programmes. Highlights of work already achieved through the targeted rate include expanded Kauri dieback control, track upgrade work in the Waitakere Ranges so that tracks can be reopened, and an increase of $200,000 per year in the Regional Environment and Natural Heritage grant scheme. Te Korowai o Waiheke is an ambitious project with a vision of eradicating pests such as rats and stoats from Waiheke. It will create one of the largest pest-free sanctuaries in the world and is a significant step towards making the Hauraki Gulf islands pest free.

The 2019/2020 programme includes further work to control Kauri dieback with 7000 trees proposed for phosphite treatment in Piha, significant increases in the ecological restoration contracts to achieve best practice pest management in high ecological value Auckland Council parks including increased feral deer, goat and pig controls in Hunua and Waitakere, greater support for community-led conservation and increased investment in biosecurity.

Climate change and coastal assets

Council has already begun work on Coastal Compartment Management Plans funded through the 10-year Budget, which will help prioritise council’s response to the effects of climate change to assist coastal asset management planning. These plans will be substantially completed in the 2019/2020 year and will inform a recently established work programme called Resilient Communities, Catchments and Coastlines that looks at how to respond to the future impact of global warming.

A people-friendly city centre and waterfront

We are transforming Auckland’s city centre and waterfront, reconnecting people to our shoreline with more public open space – places to sit, walk and talk. There will be more public transport options and pedestrian-friendly streets and open space.

I welcome the unanimous agreement by councillors to move towards pedestrianising Queen Street and other city centre streets and trialling an open streets initiative in the city centre and suburbs. Our city centre produces 20% of Auckland’s GDP. With a rapid increase in resident numbers to 57,000 and accelerating employment numbers (118,000) and student numbers as well as major investment in hotels and tourism, the changes proposed in the City Centre Master Plan are both necessary and visionary. It is part of making Auckland a great place to be and a world class city.

Changes to Federal Street will make it more pedestrian-friendly. We can expect a more bike-friendly Karangahape Road with streetscape improvements due for completion in the
2019/2020 year. We will also see the return of Lower Queen Street to public use in the 2019/2020 summer. This will be a superior pedestrian precinct, purpose built for walking, relaxing and public events, and should lead in due course to the wider pedestrianisation of Queen Street.

In the 2019/2020 year, America’s Cup progress will be very visible with tanks already being removed from Wynyard Wharf, making way for America’s Cup bases and a new waterfront park. We are also making Quay Street a pedestrian-friendly, green, tree-lined boulevard connected to open space at Lower Queen Street and around the ferry terminal.

**Culture and sports**

The 10-year Budget supported an increased focus on Māori outcomes with $35 million re-prioritised funding. I expect the resulting Māori responsiveness work programme and re-allocated budget to start delivering outcomes during the 2019/2020 year.

The $120 million Sport and Recreation Facilities Investment Fund was established as part of the 10-year budget and will start contributing to the improvement of our region’s sporting facilities. We will also acquire around $60 million of land for new parks and open spaces in the 2019/2020 year.

The Cultural Heritage Sector discussion document was released in October and concludes that the funding, governance and accountability arrangements for the institutions predate the amalgamation of Auckland and are no longer fit for purpose. For an investment of over $80 million a year, it is important that we have a coherent and consistent system of governance and funding that ensures Aucklanders are getting the best outcome. The next stage of the review will involve the council, institutions, mana whenua and stakeholders working together to tackle the issues with a view to identifying and implementing agreed changes to the sector.

**Better value for money**

We made important decisions last year to create funding streams to tackle a long-standing deficit in infrastructure investment and to get projects underway to deal with growing traffic congestion problems that have been needed for years. I do not propose any changes to the rate settings from those set out in the 10-year Budget. These settings deliver on my commitment to keep rates rises low, despite the continuing growth in the region. Auckland has a rate increase lower than any other metropolitan or growth city in New Zealand.

- Average general rates rise limited to 2.5%
- A matching increase to the Uniform Annual General Charge of 2.5%
- Continuation of the reduction in the business differential
- Regional Fuel Tax no change
- Water Quality Targeted Rate no change
- Natural Environment Targeted Rate no change
- Accommodation Provider Targeted Rate no change. There is a judicial review currently before the High Court.
Other more minor rating changes will be advised by officers.

Alternative financing of infrastructure has progressed with the Crown Infrastructure Partners deal announced earlier this month and I expect further development opportunities to be announced in the 2019/2020 year with likely candidates in the south of the region.

Additional annual operational savings of $23 million per annum are included in the Annual Budget 2019/2020, contributing to the 5% savings locked into the 10-year budget. This delivers around $560 million cumulative savings over the next decade.

The Value for Money programme continues with a focus on back office services including delivering on the results of the procurement, IT, customer services, legal and risk, and finance reviews. To date the programme has identified potential benefits of over $500 million in capital and operating savings across the council group over a ten-year period.

I support the acceleration of innovation in the automation of processes and group shared services, particularly in the areas of procurement, IT and finance and expect that significant progress will be made in the 2019/2020 year.

ENDS

Attachment: Memo from Ross Tucker, General Manager Financial Strategy and Planning
Memo
28 November 2018

To: Mayor Phil Goff
cc: Matthew Walker, Group Chief Financial Officer
From: Ross Tucker, General Manager Financial Strategy and Planning

Subject: Annual Budget 2019/2020

Te take / Purpose
1. To provide advice on the financial planning context and process for the Annual Budget 2019/2020.

Whakarāpopotanga matua / Executive summary
2. The financial year 2019/2020 is the second year of the 10-year Budget (long-term plan) 2018-2028 which was adopted in June 2018. This plan includes an unprecedented $28 billion level of investment for Auckland alongside notable new initiatives including the acceleration of efforts to improve water quality and a ring-fenced funding to improve our natural environment.

3. The projected expenditure for 2019/2020 within the 10-year Budget includes $2.5 billion of capital expenditure and $4.2 billion of operating expenditure. The key funding settings for this year are an average general rates increase of 2.5 per cent and a $0.7 billion increase in borrowing.

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<thead>
<tr>
<th>2019/20 $ billion</th>
<th>Operating expenditure</th>
<th>Capital expenditure</th>
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<tbody>
<tr>
<td></td>
<td>10-year Budget</td>
<td>10-year Budget</td>
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<tr>
<td>Transport</td>
<td>1.5</td>
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<tr>
<td>Water</td>
<td>0.7</td>
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<tr>
<td>Parks &amp; Community</td>
<td>0.7</td>
<td>0.3</td>
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<tr>
<td>Centres Development</td>
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<td>0.2</td>
</tr>
<tr>
<td>Other</td>
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<td>0.1</td>
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<tr>
<td>Total</td>
<td>4.2</td>
<td>2.5</td>
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4. While the projected debt to revenue ratio for 2019/2020 sits at 280 per cent, against an internal ceiling of 265 per cent, the 10-year Budget indicates that this will rise to 264 per cent by the following year meaning the capacity for additional investment is limited.

5. The initial budget for 2019/2020 from the 10-year Budget will be updated throughout the year to reflect any council decisions, updates to project cost or timing projections, and any changes to our significant forecasting assumptions. At this stage these do not present any material change to the 10-year Budget cost, revenue or balance sheet projections.
Horopaki / Context

6. The financial year 2019/2020 is the second year of the 10-year Budget (long-term plan) 2018-2028 which was adopted in June 2018. This plan includes an unprecedented $26 billion level of investment for Auckland alongside notable new initiatives including the acceleration of efforts to improve water quality and a ring-fenced funding to improve our natural environment.

Tātaritanga me ngā tohutohu / Analysis and advice

Annual Budget 2019/2020 starting point

7. The projected expenditure for 2019/2020 within the 10-year Budget includes $2.5 billion of capital expenditure and $4.2 billion of operating expenditure.

8. This investment is planned to be funded from a number of sources including:
   - average general rates increases to existing ratepayers of 2.5 per cent,
   - no changes to targeted rates,
   - user charges at appropriate levels of cost recovery,
   - subsidies from central government to support transport operations and investment,
   - development contributions to recover the costs of growth infrastructure,
   - proceeds from the sale of underutilised assets,
   - $0.7 billion of additional borrowing.

9. A priority in setting the 10-year Budget was maintaining a sustainable approach to borrowing. This is achieved by setting a limit to our borrowing at 270% of our revenue and an internal target of 265%. These levels ensure we can maintain our strong credit rating and good access to credit markets and competitive interest rates. While the projected debt to revenue ratio for 2019/2020 sits at 260%, the 10-year Budget indicates that this will rise to 264% by the following year meaning the capacity for additional investment above that planned is limited.

10. Charts representing the 2019/2020 budgets included in the 10-year Budget are included in attachment A to this report.

Subsequent decisions

11. Relevant council decisions made since adoption of the 10-year Budget include:

   - the agreement on 17 October to the deferral of capital and operating budgets undelivered in 2017/2018 into 2018/2019 and 2019/2020,
   - acceleration of investment in business transformation and improvement initiatives,
   - accelerating Panuku expenditure to align with America’s Cup timing,
   - approval of additional budget for superyacht berthing in Wynyard Basin,
   - future-proofing the CRL project for patronage growth,
   - other decisions made in confidential committee meetings.
12. At this stage updates for the above factors do not present any material change to the 10-year Budget cost, revenue or balance sheet projections. However, capacity for additional investment remains very limited and any substantial new investment would require additional revenue or reprioritisation of the capital programme.

Budget update process

13. Throughout the year council staff will continue to update projections for 2019/2020 to incorporate the effect of any relevant council decisions, updates to project cost or timing projections, and any changes to our significant forecasting assumptions.

14. Council staff regularly review the projected costs and timings of planned investments and operations. These updated projections are incorporated into budget models to ensure decisions are well informed.

15. A key budget update item expected early in 2019 will be on the CRL project. Major contracts for this project are currently out for tender and analysis of the tender documents will provide increased certainty around cost projection. At this stage a decision will also be made as to which future-proofing option is chosen and the related costs will be confirmed.

16. The 10-year Budget included a set of significant forecasting assumptions to support financial projections. These are regularly reviewed to support accurate cost and revenue forecasts. The key items for review include:
   - Inflation – reviewed in collaboration with the council’s Chief Economist,
   - Growth projections – reviewed with the Research and Evaluation Unit,
   - Interest rates – confirmed by our Treasury Department.

Longer-term financial planning work

17. To respond to the growth challenges Auckland is facing we have identified significant additional infrastructure investment we would make if more funding or financing was available.

18. The recent announcement of the Mililade project with Crown Infrastructure Partners demonstrated a model which enables acceleration of housing development without needing additional borrowing by the council.

19. Staff continue to work with central government and third-party partners to investigate and evaluate further ways to finance infrastructure to support housing and transport outcomes.
Attachment A: Starting-point budgets for 2019/2020

Capex delivered for Auckland

Operating expenditure by type
Te take mō te pūrongo /Purpose of the report
1. To recommend to the Governing Body a base for consultation on the Annual Budget.

Whakarāpopototangata matua / Executive summary
2. The council is required to prepare and adopt an annual plan (referred to by Auckland Council as the Annual Budget) for each financial year.
3. Before adopting an annual plan, the council must consult on any significant or material differences from the content of the long-term plan for the financial year to which the proposed annual plan relates. The consultation material must also include:
   - content relating to local board agreements,
   - a summary of the draft Tūpuna Maunga o Tāmaki Makaurau Authority Operational Plan 2019/2020 (Draft Operational Plan).
4. Local boards will adopt local material for inclusion in the consultation document and supporting information at their business meetings in December 2018.
5. The Maunga Authority adopted the Draft Operational Plan and summary of this draft plan at its hui on 3 December 2018. These documents will be presented to the Governing Body meeting on 13 December 2018 for agreement.
6. Today the Finance and Performance Committee will consider material for the purpose of supporting consultation on the Annual Budget and recommend items to the Governing Body meeting on 13 December 2018.
7. Staff will then prepare a consultation document and supporting information for adoption by the Governing Body on 13 February 2019.
8. At its meeting on 13 February 2019, the Governing Body will also consider for approval the consultation approach for the Annual Budget.
9. The consultation process is proposed to run from 17 February to 17 March 2019. Following feedback from the community, local boards and the Governing Body will reconsider budgets and make final decisions in May 2019 before adopting the Annual Budget 2019/2020 in June 2019.

Ngā tūtohunga / Recommendation/s
That the Finance and Performance Committee:

a) agree to recommend to the Governing Body that the consultation material for the Annual Budget 2019/2020:
   i) be based on the budget for year two of the 10-year Budget 2018-2028 updated for subsequent decisions and new information,
   ii) include content to support the development of local board agreements,
   iii) include the summary of the draft Tūpuna Maunga o Tāmaki Makaurau Authority Operational Plan 2019/2020 as agreed between the Maunga Authority and the council.

Horopaki / Context
10. The council is required to prepare and adopt an annual plan (referred to by Auckland Council as the Annual Budget) for each financial year.
11. The Annual Budget outlines what we plan to do and how we plan to pay for it over the coming financial year.

**Tātaritanga me ngā tohutohu / Analysis and advice**

**Developing the Annual Budget 2018/2019**

12. The process to develop the council’s Annual Budget 2019/2020 began in October 2018 with the Mayor’s direction setting memo. Key elements of the process to date have been:

- a direction setting memo
- the Mayoral Proposal
- a workshop on other potential consultation items.

13. The starting budget for 2019/2020 is year two of the 10-year Budget 2019/2020. This is updated to incorporate the effect of any relevant council decisions, updates to project cost or timing projections, and any changes to our significant forecasting assumptions.

14. The council must consult on any significant or material differences from the content of the 10-year Budget for 2019/2020. Items for consultation will be considered at today’s Finance and Performance Committee.

15. Staff will then prepare a consultation document and supporting information for adoption by the Governing Body on 13 February 2019.

**Tūpuna Maunga o Tāmaki Makaurau Authority Operational Plan 2019/2020**

16. Auckland Council and the Tūpuna Maunga Authority must agree the Tūpuna Maunga Operational Plan each year pursuant to section 60 of Ngā Mana Whenua o Tāmaki Makaurau Collective Redress Act 2014.

17. A summary of the Draft Operational Plan is required to be included within the Annual Budget consultation material.

18. Staff have been working with the Maunga Authority to develop content relating to its operational plan. The Maunga Authority adopted its Draft Operational Plan and summary at its hui on 3 December 2018. These documents will be presented to the Governing Body meeting on 13 December 2018 for agreement.

**Finalising the Annual Budget 2019/2020**

19. Consultation for the Annual Budget is proposed to take place between 17 February and 17 March 2019.

20. The table below sets out the remaining steps in the process (at a high level) to finalise the annual budget.

**Table One: Finalising the annual budget following decisions made today**

<table>
<thead>
<tr>
<th>Phase</th>
<th>Indicative timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governing body workshop consultation document, supporting information and consultation approach ahead of the meeting</td>
<td>7 February 2019</td>
</tr>
<tr>
<td>Governing body meets to adopt consultation document and supporting material and approve the consultation approach</td>
<td>13 February 2019</td>
</tr>
<tr>
<td>Public consultation</td>
<td>17 February – 17 March</td>
</tr>
<tr>
<td>Finance and Performance Committee receive regional feedback and Tupuna Maunga Draft Operational Plan feedback (incl. Tupuna Maunga Authority board members)</td>
<td>April</td>
</tr>
<tr>
<td>Finance and Performance Committee workshop budget discussions</td>
<td>April</td>
</tr>
<tr>
<td>Local boards workshop local board agreements</td>
<td>23 April – 2 May</td>
</tr>
</tbody>
</table>
**Finance and Performance Committee workshop where local boards provide feedback on regional issues.**

- **Phase:** Finance and Performance Committee workshop where local boards provide feedback on regional issues.
- **Indicative timing:** May

**Finance and Performance Committee workshop - Mayor’s Proposal and decision making for the Annual Budget**

- **Phase:** Finance and Performance Committee workshop - Mayor’s Proposal and decision making for the Annual Budget
- **Indicative timing:** May

**Finance and Performance Committee meeting on final decisions for the Annual Budget**

- **Phase:** Finance and Performance Committee meeting on final decisions for the Annual Budget
- **Indicative timing:** May

**Local boards adopt Local board agreements**

- **Phase:** Local boards adopt Local board agreements
- **Indicative timing:** 4 – 6 June

**Governing Body workshop to adopt the final Annual Budget**

- **Phase:** Governing Body workshop to adopt the final Annual Budget
- **Indicative timing:** 13 June

**Governing Body meet to adopt the final Annual Budget**

- **Phase:** Governing Body meet to adopt the final Annual Budget
- **Indicative timing:** 20 June

**Final Annual Budget documentation will be published**

- **Phase:** Final Annual Budget documentation will be published
- **Indicative timing:** July

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**Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera / Council group impacts and views**

- **21.** The Annual Budget is an Auckland Council Group document and will include budgets at a consolidated group level.

- **22.** Consultation items and updates to budgets to reflect decisions and new information may include items from across the group.

**Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe / Local impacts and local board views**

- **23.** Local boards have been engaged since the first workshop held on 8 November. Local board representatives were invited to attend Finance and Performance workshops held between November and early December 2018.

- **24.** Local boards presented their early input into the Annual Plan process on 16 and 19 November 2018 to the Finance and Performance Committee.

- **25.** Local boards will adopt their content for consultation in December 2018. This will include the key priorities for each local board for 2019/2020.

**Tauākī whakaaweawe Māori / Māori impact statement**

- **26.** Engagement with mana whenua and mataawaka will be considered and planned for once the items for consultation are confirmed. Information on this engagement will be captured as part of the report to Governing Body on 13 February 2019.

**Ngā ritenga ā-pūtea / Financial implications**

- **27.** The consultation material for the Annual Budget 2019/2020 the budget is proposed to be based on year two of the 10-year Budget 2018-2028 updated for subsequent decisions and new information.

**Ngā raru tūpono me ngā whakamaurutanga / Risks and mitigations**

- **28.** There are no risks associated with the recommendations in this report.
Ngā koringa ā-muri / Next steps


30. The consultation document and supporting information, along with the consultation approach, will be presented to the Governing Body for adoption on 13 February 2019.

Ngā tāpirihanga / Attachments

There are no attachments for this report.

Ngā kaihaina / Signatories

<table>
<thead>
<tr>
<th>Authors</th>
<th>Michael Burns – Manager Financial Strategy</th>
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<tr>
<td></td>
<td>Kylie Thompson - Programme Manager</td>
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<table>
<thead>
<tr>
<th>Authorisers</th>
<th>Ross Tucker - General Manager, Financial Strategy and Planning</th>
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<tbody>
<tr>
<td></td>
<td>Matthew Walker - Group Chief Financial Officer</td>
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</table>
Te take mō te pūrongo / Purpose of the report


Whakarāpopototanga matua / Executive summary

2. A number of minor changes are proposed to rating policy for 2019/2020 to implement council decisions or ensure fair treatment of similar properties. None of the proposed changes will impact on the average general rates increase. Implementation of some of these changes requires consequential amendments to the council’s Revenue and Financing Policy and Rates Remission and Postponement Policy.

3. Staff recommend that the proposed changes set out in this report be consulted on as part of and/or concurrently to the Annual Budget 2019/2020.

Increase to the waste management targeted rate base service charge

4. The costs of providing waste management services have increased as a result of:
   - recycling processing cost increases
   - inorganic service volumes exceeding forecast
   - residents in Waitākere and North Shore City making effective use of bin service reducing refuse disposal revenue.

5. Staff recommend an increase of $20.67 (40 cents per week) to $121.06 to recover the additional costs. Properties charged the rate are the primary beneficiaries of the service so it is appropriate that the higher costs are recovered by increasing the base waste management rate. An additional 0.7 percent increase would be required in the general rate for 2019/2020 if the increased costs were to be funded from the general rate.

Extend food scraps collection targeted rate to North Shore trial properties

6. Around 2,000 properties on the North Shore have had a food scraps collection service available as part of a free trial since 2014. The foods scraps service was introduced to the Papakura area this year funded by a targeted rate. The service will be rolled out across the region from 2020/2021. Staff recommend council extend the food scraps collection targeted rate of $68.34 to the 2,000 properties in the North Shore trial area for whom the service is currently available for free.

Phase out Waitākere rural sewerage service and targeted rate

7. The council is introducing a region wide compliance programme for on-site wastewater management systems. This will place greater onus on property owners to ensure their systems are not polluting waterways. At present 4,300 properties in the former Waitākere City Council area pay a targeted rate of $194.54 per year to receive a council provided pump-out of their septic tanks every three years. Pumping out septic tanks has not delivered desired water quality improvements. Nor does it address other issues associated with septic tank maintenance or target the 50 per cent of onsite wastewater systems that do not have tanks.

8. Staff recommend phasing out the Waitākere pump-out scheme and the associated targeted rate.
Adjustment to urban rating boundary
9. Around 400 properties on the city fringe (set out in Attachment A), currently classified as rural, pay around 90 per cent of the rates than their neighbours next door pay. These properties are now part of the main urban area and receive the same services as their neighbours. Staff recommend adjusting the urban rating area to include these properties so that they are classified as urban and pay the same level of rates as neighbouring properties.

Increase to some fees to maintain cost recovery
10. Increases are proposed to some of the council’s fees (resource consent, building control, harbour master and animal control) to maintain cost recovery. The cost of providing these services has risen and fees need to rise to ensure the services are funded by the users and not subsidised by ratepayers.

Rating of religious use properties
11. The Finance and Performance Committee has previously agreed to consult on not charging rates to some land owned by religious organisations. This is to recognise the importance of religious organisations and the services they provide to Auckland’s community. To implement these changes requires amendments to the:

- Funding Impact Statement to include a zero-rated general rates differential category for this land
- Revenue and Financing Policy to amend the general rates differential categories to include the zero-rated category
- Remission and Postponement Policy to remit the Uniform Annual General Charge and fixed charges for zero-rated land

Ngā tūtohunga
Recommendation/s
That the Finance and Performance Committee:

a) agree to consult as part of the draft Annual Budget 2019/2020 on
   i) increasing the base waste management targeted rate to $121.06
   ii) introducing a food scraps targeted rate of $68.34 in the Northcote, Milford and Takapuna trial area
   iii) phasing out the Waitākere rural sewerage (pump-out) service and the associated targeted rate
   iv) adjusting the rural urban boundary to include the properties described in this report in the areas as specified in Attachment A of the agenda report
   v) increases to fees as specified in Attachment B of the agenda report

b) note that the Finance and Performance Committee has previously agreed to consult on changes to rating of religious use properties, and agree to progress implementation of these changes through consultation on amendments to:
   i) Funding Impact Statement to include a zero-rated general rates differential category for this land
   ii) Revenue and Financing Policy to amend the general rates differential categories to include the zero-rated category
   iii) Remission and Postponement Policy to remit the Uniform Annual General Charge and fixed charges for zero-rated land
Horopaki / Context

12. The council is required to consult on changes to its rating policy and increases in fees and charges prescribed under the Resource Management Act or deemed “significant” under its Significance and Engagement Policy.

13. The council is also required to consult on changes to the
   - Revenue and Financing Policy when making changes to sources of funding
   - Rates Remission and Postponement Policy when making changes to the relief provided to ratepayers through the remissions and postponements of rates.

Tātaritanga me ngā tohutohu / Analysis and advice

14. The following sections set out proposed changes to council’s rating policy and some fees.

Waste management targeted rate

15. Staff recommend an increase in the waste management base service targeted rate by $20.67 (incl. GST) from $100.39 (incl. GST) to $121.06 (incl. GST) to cover cost increases of $10.9 million (excl. GST). The cost increases are mainly made up of:

   - recycling: costs have increased by $5.1 million (excl. GST) due to the higher cost of processing recyclables (an increase in budget for this contract was approved by the Finance and Performance Committee at its September 2018 meeting). The higher cost of processing recyclable materials is due to changes in China’s recycling policy, which has reduced international commodity prices for recyclable materials. This adds $10.80 (incl. GST) to the rate ($9.50 excluding inflation)

   - inorganic\(^1\): higher uptake of the service has raised the cost by $2.2 million (excl. GST), adding $4.40 (incl. GST) to the rate. The service was expected to be provided to 17 per cent of the eligible properties but the actual take-up rate was 22 per cent. Forecast take up rate for 2019/2020 is 24 per cent (132,700 properties).

   - Waitākere and North Shore City Council areas have transitioned from bags to bins for the council refuse collection service. Effective use of the new service by residents is forecast to reduce refuse disposal revenue. This in combination with cost increases has increased the net budget for refuse by $3.1 million (excl. GST), adding $6.20 (incl. GST) to the base service rate. The revenue is still recovering the collection and disposal costs.

16. The proposal maintains a standard level of regional charges for base waste management services and keeps the costs transparent. While there are some regional differences in costs staff consider maintaining a standard base rate is appropriate until all the elements of the Waste Minimisation and Management Plan (pay as you throw refuse and the food scraps collection) are introduced in 2020/2021.

17. Staff do not recommend funding the increased costs from the general rate as this would make the overall costs less transparent and raise the general rates increase by 0.7 per cent above the level set in the 10-Year Budget.

18. The alternative option of increasing the prices set for bin tags in the Waitākere and North Shore areas is also not recommended as the prices have been set to maximise revenue. Staff consider a further price increase will lead to a loss of volume to competitors and hence a greater revenue shortfall.

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\(^1\) The inorganic service is available to all residential properties.
Food scraps collection service trial on the North Shore

19. Staff recommend the extension of the foods scraps collection service targeted rate of $68.34 to 2,000 properties on the North Shore in Northcote, Milford and Takapuna. These properties are currently receiving the service free of charge as part of a trial started in 2014.

20. In 2018/2019 council introduced a food scraps collection service in Papakura. This is funded by a targeted rate of $67 paid by all properties in the service area\(^2\). The food scraps service is to be implemented across the whole of urban Auckland from 2020/2021.

21. The service in the North Shore trial area is presently being funded from central government funds raised from the waste levy. The service costs $211,000 per year. The service is popular, with 1,560 of the 2,000 properties in the trial area participating. A survey conducted in 2016 showed strong support (80 per cent) for continuation of the service. Respondents were not asked in this survey about paying a targeted rate for the collection.

22. The rate is around $1.31 per week. The rate would not be payable by those residents renting their properties including the tenants of the 145 properties owned by Housing New Zealand in the area.

23. The extension of the foods scraps collection service targeted rate to the North Shore trial area is recommended to ensure these properties are being treated fairly in comparison to those in Papakura who are receiving the same service. The service will have been provided free of charge for five years by the time a rate is introduced. Funding the service with a targeted rate will free up waste levy funding for other waste minimisation projects.

24. Consideration was given to maintaining the status quo and waiting until the introduction of the service at the region-wide scale before introducing a rate. Staff do not recommend this option as it would not be fair to ratepayers of Papakura who are currently paying for the service. Given the support for the service in the trial area and its pending regional roll out, the alternative option of ending the trial was also not recommended.

25. Staff also do not recommend using a fee on an interim basis (effectively allowing residents to opt out of the charge). As part of the 10-year budget 2018-2028, the council approved the introduction of a food scraps service which will be made available to all residential properties in urban Auckland, funded by a targeted rate payable by all properties to which the service is available. Allowing an opt-out would lower the take up of the scheme, increase the cost per household and reduce the environmental benefits from diverting waste from landfill.

26. The trial area covers parts of the Kaipātaki and Devonport-Takapuna Local Board areas. Both local boards supported continuing the service with levy funding and opposed introducing a targeted rate.

Waitākere rural sewerage targeted rate

27. Staff recommend phasing out the Waitākere rural sewerage (pump-out) service and the associated targeted rate.

28. A regional compliance programme will be put in place over the next two to three years to ensure on-site wastewater systems across the region are adequately maintained and inspected to minimise environmental risk. Implementation will be phased across Auckland, with Waitākere anticipated to come under the programme in 2019. Under the programme it will be the property owner’s responsibility to have their on-site systems inspected and maintained to a satisfactory standard, with records to be submitted to council as evidence. Owners will be required to meet the maintenance costs. The council’s inspection record keeping service will be funded from the Water Quality Targeted Rate.

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\(^2\) Increasing to $68.34 in 2019/2020 to cover cost inflation.
29. Around 4,300 properties in the former Waitākere City area are currently receiving a septic tank pump-out service from the council. Properties receive one pump-out service every three years, funded by an annual targeted rate to the property. The current targeted rate is $194.54 per year which equates to $584 per service. A fixed charge means that properties that are cheaper to service are subsidising more expensive properties.

30. The pump-out scheme does not adequately address the risk onsite systems pose to the environment. This is because the scheme only pumps the sludge out of the septic tank and does not ensure the maintenance of filters, occupancy or disposal fields, which are important for an effective on-site wastewater system. System failures and overflows may occur between the three-yearly pump-outs. The scheme also does not cover approximately 50 per cent of the onsite wastewater devices that are present in the area, as these do not have septic tanks.

31. The regional compliance programme is designed to deliver the environmental outcomes sought by the council. Continuing the septic tank pump-out scheme once the regional compliance programme is in place will not deliver additional environmental benefits. It is therefore proposed that the tank pump-out scheme and associated targeted rate be phased out from 2019/2020.

32. By June 2019 around half of the properties in the current pump-out cycle will have either received the pump-out service in 2018/2019 or, due to contract lead times, will receive a pump out in 2019/2020. These properties will continue to pay the targeted rate until the three-yearly cycle ends in 2020/2021. The remaining properties will not receive a service and any targeted rate already paid in 2018/2019 will be refunded.

33. Discontinuation of the scheme will require owners in Waitākere area to purchase a pump-out service from private contractors instead. Costs for individual pump-outs can vary widely depending on location as well as conditions of the tank and the site. For easier sites costs can be as low as $350. Conversely, certain difficult sites could face pump-out costs of up to $800-$900. As such, many property owners will pay less or the same over the three-year period. Some owners, particularly in remote areas, may face significant increases in pump-out costs. Removing the pump-out service and the targeted rate would mean the higher costs associated with these tanks would no longer be subsidised by other tank owners.

34. The cost to the council of the existing pump-out scheme was around $808,000 in 2017/2018. The targeted rate revenue was $708,000. The removal of the scheme would therefore deliver around $100,000 in cost savings for the council.

35. The impacted local boards are Henderson Massey, Upper Harbour, and Waitākere Ranges. Both the Upper Harbour Local Board and the Henderson Massey Local Board supported discontinuing the Waitākere septic tank pump out service and the associated targeted rate. The Waitākere Ranges Local Board supported consulting the public on the proposal. They also supported consulting on an additional option of continuing the pump-out service by improving the inspection and certification process so that more problematic septic tank systems are identified, and overall system performance and water quality is improved.

Rural urban boundary

36. Staff recommend adjusting the urban rating area to include 400 properties in the areas identified in Attachment A, presently rated rural residential whose immediate neighbours are rated urban.

37. Auckland is growing and as a result urban development is now occurring in areas that are currently treated as rural for rating purposes. Under council’s rating policy properties identified as rural residential or rural business pay around 90 per cent of the rates paid by urban residential or urban business properties.

3 Note that this relates to the pump-out service only and does not include the cost of meeting other requirements in the regional compliance programme.
38. Staff have identified six locations currently classified as rural where development has occurred in areas adjacent to the urban area. Neighbouring properties, adjacent or on different sides of a road, are paying different rates even though these properties have the same level of access to council services and are similar in size and use.

39. The rating policy currently defines the urban rating area as the Metropolitan Urban Limit and Pukekohe urban area as defined in the prior Franklin District Plan. This proposed change will redefine the urban rating area in the rating policy.

40. The Urban Rating Area boundaries will follow the same boundaries as the Metropolitan Urban Limit and Pukekohe Township Rating Area with the following minor amendments:
   - extend the boundary in six locations (set out in Attachment A) where urban subdivisions have occurred adjacent to the urban area. This will see 400 residential properties re-categorised from rural to urban so that they pay the same rates as neighbouring urban properties.
   - make minor adjustments so that boundary follows property boundaries. This will not impact rates for properties, but will reduce the instances where subdivision of large blocks on the boundary result in some of the lots being charged urban rates and others rural rates.

41. Adjusting the rating boundary as proposed will increase rates for 400 properties by an average of $110 for 367 bare lots, $378 for 31 developed residential lots and $1,700 for two larger blocks that are being developed but which have not been subdivided.

Increase to some regulatory fees to maintain cost recovery

42. Staff recommend that the council consult on proposed changes to regulatory fees where increases materially higher than inflation are required to maintain cost recovery.

43. Costs have risen for some of the council’s regulatory services in the resource consent, building control, and animal management areas. Two new fees are proposed, and some existing fees are proposed to increase by more than the council rate of inflation, to reflect the actual time and cost. This includes the fixed fees for processing tree consents which are proposed to increase significantly to cover actual costs. In some cases, the deposit levels are also proposed to increase to provide better indication of final charges.

44. The proposed charges are generally in line with similar charges set by other major councils in New Zealand and forecast to recover an additional $500,000 per annum in revenue (excluding GST).

45. Staff also recommend that the council consult on changes to some harbourmaster fees to reduce ratepayer subsidy for services that benefit vessel owners.

46. The recommendation includes increasing mooring permit fees by $57.50 per annum (including GST) on top of the annual inflationary adjustment to help fund the salvage and disposal of abandoned and wrecked boats from moorings. The Harbourmaster currently has to dispose of about 20 moored vessels per annum and the cost can be as much as $25,000 each if they sink. The moored fleet is increasing in age and the number of boats falling into disrepair is increasing every year. As there is no vessel registration system in New Zealand, it is often difficult to identify owners of the abandoned or wrecked boats and impose the costs. The costs are therefore currently borne by the general ratepayers. The proposed fee increase would shift the burden to vessel owners and greatly reduce ratepayer subsidy. The first $3,000 of the cost of salvage or disposal will be covered by the increase in fees and the remaining amount will continued to be invoiced to the owner (if they can be identified).
47. The recommendations also includes a fee of $23 per metre per day (including GST) be introduced for foreign vessels over 40 metres in length anchoring or using dynamic positioning within Auckland’s navigable waters. The number of large foreign vessels visiting Auckland waters is increasing and includes superyachts and cruise ships anchoring off places such as Waiheke, Great Barrier Island and the inner Waitemata, and cargo ships anchoring in the Hauraki Gulf and Motuhe Explosives anchorage. They should pay their fair share towards the cost of maintaining navigation aids and maritime safety functions. Fee schemes of this nature are already in place in Marlborough Sounds, parts of Canterbury, Chatham Islands and Southland. Exemptions are proposed for warships and a 24-hour grace period for vessels awaiting a berth at Ports of Auckland.

48. The proposed changes to harbourmaster charges are expected to recover an additional $210,000 per annum in revenue (excluding GST).

49. While the Revenue and Financing Policy provides for fee increases to recover costs, the council is required by legislation to consult on changes to fees prescribed under the Resource Management Act. The council has also indicated in its Significance and Engagement Policy that it will consult on decisions that are deemed ‘significant’ under that policy. Given the sensitivity of the regulatory fees and the scale of some of the changes, staff recommend that the council consult on all fee changes discussed in this section as part of the annual budget to ensure adequate public engagement as well as legislative compliance.

50. A full list of fees changes is included as Attachment B.

Rating of religious use properties

51. The Finance and Performance Committee has previously agreed to consult on not charging rates to some land owned by religious organisations. This is to recognise the importance of religious organisations and the services they provide to Auckland’s community.

52. The council proposes not to charge rates to the following land uses:
   - presbytery/manse used to house clergy which is onsite or adjacent to the place of religious worship
   - halls and gymnasiuims used for community not-for-profit purposes
   - not-for-profit childcare for the benefit of the community
   - libraries
   - offices that are onsite and which exist for religious purposes
   - non-commercial op-shops operating from the same title
   - car parks serving multiple land uses but for which the primary purpose is for religious purposes

53. Land used for commercial purposes including car parks, gyms, cafes, and op shops that are operated as a commercial activity will continue to be rated as business.

54. To implement these changes requires amendments to the:
   - Funding Impact Statement to include a zero-rated general rates differential category for this land
   - Revenue and Financing Policy to amend the general rates differential categories to include the zero-rated category
   - Remission and Postponement Policy to remit the Uniform Annual General Charge and fixed charges for zero-rated land
Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera / Council Group impacts and views
55. The changes proposed in this report have been communicated to and agreed on by the following departments of the Auckland Council group:
- Waste Solution
- Healthy Waters
- Regulatory Services
- Harbormaster

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe / Local impacts and local board views
56. The views of local boards on the introduction of a food scraps collection targeted rate for the trial properties on the North Shore and the discontinuation of the Waitākere rural sewerage targeted rate are noted in the relevant sections above. Local Boards will have further opportunities to express their views on the impacts of regional decisions on their local community before final decisions are made in May 2019.

Tauākī whakaaweawe Māori / Māori impact statement
57. The council does not hold information on the ethnicity of ratepayers so is not able to identify the exact impact on the proposed changes on Māori. The impact of the proposed changes on Māori will be similar to that on other residents in Auckland.

Ngā ritenga ā-pūtea / Financial implications
58. The financial implications of the recommended charges are noted in the relevant sections above.

Ngā raru tūpono me ngā whakamaurutanga / Risks and mitigations
59. There are no risks associated with recommendations in this report.

Ngā koringa ā-muri / Next steps
60. Resolutions passed at this meeting will be used to develop the consultation material for Annual Budget 2019/2020. On 13 February, the Governing Body will be asked to agree the consultation material. In designing the recommended consultation process officers will develop targeted approaches to ensure that ratepayers affected by the proposed changes are made aware of the proposals and the ways in which they can provide feedback.

Ngā tāpirihanga / Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Proposed changes to the urban rating area</td>
<td>39</td>
</tr>
<tr>
<td>B</td>
<td>Proposed increases in regulatory fees and deposits</td>
<td>43</td>
</tr>
</tbody>
</table>

Ngā kaihaina / Signatories

| Authors                  | Andrew Duncan - Manager Financial Policy   |
|                         | Eric Wen - Advisor - Financial Policy      |
|                         | Beth Sullivan - Principal Advisor Policy   |
|                         | Aaron Matich - Principal Advisor – Financial Policy |

| Authorisers             | Ross Tucker - Acting General Manager, Financial Strategy and Planning |
|                        | Matthew Walker - Group Chief Financial Officer |
Attachment A: Proposed changes to urban rating area

Map 1: Pukekohe West (Franklin)
Adjacent to 46 Belmont Road PUKEKOHE

Current Urban Rating Boundary: ......................................................
Proposed Urban Rating Boundary: ..............................................

Map 2: East Tamaki Heights (Howick)
Adjacent to 34 Armstrong Farm Drive Howick

Current Urban Rating Boundary: ......................................................
Proposed Urban Rating Boundary: ..............................................

URBAN RATING AREA
RURAL RATING AREA
URBAN RATING AREA
RURAL RATING AREA
Attachment A: Proposed changes to urban rating area (cont)

Map 3: Takanini (Papakura)
Adjacent to 138 Walters Road Takanini

Map 4: The Gardens (Manurewa)
Opposite 47 Chateau Rise East Tamaki

Current Urban Rating Boundary:
Proposed Urban Rating Boundary:
Attachment A: Proposed changes to urban rating area (cont)

Map 5: East Tamaki (Howick)
Opposite 47 Chateau Rise East Tamaki

Map 6: Papatoetoe (Manukau)
132 Pah Road and 2 Capital Place Papatoetoe
### Attachment B: Proposed increases in regulatory fees and deposits 2019/2020

<table>
<thead>
<tr>
<th>Area</th>
<th>Type</th>
<th>Deposit/ Fixed Fee</th>
<th>New fee FY20</th>
<th>Current $ (incl GST)</th>
<th>Proposed $ (incl GST)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Building Consents</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lapsed/Refused building consent</td>
<td>Fixed</td>
<td>102</td>
<td>165</td>
<td></td>
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</tr>
<tr>
<td>Waiver/modification of building code</td>
<td>Deposit</td>
<td>117</td>
<td>150</td>
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<tr>
<td>WOF annual renewal</td>
<td>Fixed</td>
<td>143</td>
<td>150</td>
<td></td>
<td></td>
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<tr>
<td>Accreditation levy</td>
<td>Fixed</td>
<td>45c per $1000 project value</td>
<td>50c per $1000 project value</td>
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<tr>
<td>Solid Fuel heater/Injected wall application</td>
<td>Fixed</td>
<td>201</td>
<td>250</td>
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<tr>
<td>Solar water or heat pump</td>
<td>Fixed</td>
<td>254</td>
<td>275</td>
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<tr>
<td>Exemption from building code</td>
<td>Base fee</td>
<td>400</td>
<td>440 base fee</td>
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<td></td>
</tr>
<tr>
<td>Extension of time to start</td>
<td>Fixed</td>
<td>102</td>
<td>150</td>
<td></td>
<td></td>
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<tr>
<td>building work</td>
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<tr>
<td>Producer statement author</td>
<td>Fixed</td>
<td>164</td>
<td>200</td>
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<td>register renew</td>
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<tr>
<td>Filing fee - third party reports</td>
<td>Fixed</td>
<td>196</td>
<td>250</td>
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<tr>
<td>Minor variation for on-site</td>
<td>New</td>
<td>n/a</td>
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<tr>
<td>inspection</td>
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<td></td>
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<tr>
<td>Commercial LIM</td>
<td>Base Fee</td>
<td>New</td>
<td>Standard LIM fee</td>
<td>165</td>
<td>Standard LIM fee plus time based charge where it exceeds 3 hours</td>
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<tr>
<td></td>
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</tr>
<tr>
<td><strong>Resource Consents</strong></td>
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<tr>
<td>Bundled Consent deposit</td>
<td>Deposit</td>
<td>5,000</td>
<td>7,000</td>
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<td>Tree Consents- Notified</td>
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<td>530</td>
<td>1,000</td>
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<tr>
<td>(fixed fee)</td>
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<td></td>
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<tr>
<td>Tree Consents – Non-</td>
<td>Fixed</td>
<td>255</td>
<td>600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notified (fixed fee)</td>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Land use – (four or more</td>
<td>Deposit</td>
<td>5,000</td>
<td>4,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>dwellings) or non-residential</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boundary adjustment, Unit title &amp;</td>
<td>Deposit</td>
<td>$1,500</td>
<td>$2,000</td>
<td></td>
<td></td>
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<tr>
<td>Cross Lease</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Change of Condition (s127)</td>
<td>Deposit</td>
<td>$1,500</td>
<td>$2,500</td>
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</tr>
<tr>
<td>Outline Plan, extension of time,</td>
<td>Deposit</td>
<td>$1,200</td>
<td>$1,500</td>
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<tr>
<td>Certificate of Completion, Certificate of Compliance, existing use</td>
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<tr>
<td>Drill or Alter a bore</td>
<td>Deposit</td>
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<td>$600</td>
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<tr>
<td><strong>Engineering</strong></td>
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<td>Major Engineering works</td>
<td>Deposit</td>
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<td>$2,500</td>
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</table>
### Animal management

<table>
<thead>
<tr>
<th>Area</th>
<th>Type</th>
<th>Deposit/Fixed Fee</th>
<th>New fee FY20</th>
<th>Current $ (incl GST)</th>
<th>Proposed $ (incl GST)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily sustenance for impounded dog</td>
<td>Fixed</td>
<td>$19</td>
<td>$20</td>
<td></td>
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<tr>
<td>Large animal daily sustenance (excluding first day)</td>
<td>Fixed</td>
<td>$17</td>
<td>$20</td>
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<tr>
<td>Small animal impoundment fee</td>
<td>Fixed</td>
<td>$17</td>
<td>$20</td>
<td></td>
<td></td>
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<tr>
<td>Small animal daily sustenance (excluding first day)</td>
<td>Fixed</td>
<td>$12</td>
<td>$15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Daily sustenance for impounded dog</td>
<td>Fixed</td>
<td>$19</td>
<td>$20</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Harbormaster

<table>
<thead>
<tr>
<th>Area</th>
<th>Type</th>
<th>Deposit/Fixed Fee</th>
<th>New fee FY20</th>
<th>Current $ (incl GST)</th>
<th>Proposed $ (incl GST)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mooring permit (pile)</td>
<td>Fixed</td>
<td>$900</td>
<td>$975.50 p.a.</td>
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<tr>
<td>Mooring permit (swing)</td>
<td>Fixed</td>
<td>$230</td>
<td>$292.10 p.a.</td>
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<tr>
<td>Foreign vessel (over 40 metre in length) anchorage / dynamic positioning</td>
<td>Fixed, New</td>
<td>n/a</td>
<td>$23 per day per metre of vessel length</td>
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<td></td>
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</tbody>
</table>

**Notes to the fee schedule:**
- Building consent related base fee requires additional charges per the standard hourly rates
- Exemptions from foreign vessel anchorage / dynamic positioning fee
  - 24 hour grace period applies for vessels awaiting a berth at Ports of Auckland
  - Warships are exempt.
Te take mō te pūrongo / Purpose of the report
1. To provide further information regarding a proposal to transfer the ownership of waterfront land within the council group and to seek approval to develop the associated public consultation material.

Whakarāpopototanga matua / Executive summary
2. This is a late covering report for the above item. The comprehensive agenda report was not available when the agenda went to print and will be provided prior to the 12 December 2018 Extraordinary Finance and Performance Committee meeting.

Ngā tūtohunga / Recommendation/s
3. The recommendations will be provided in the comprehensive agenda report.